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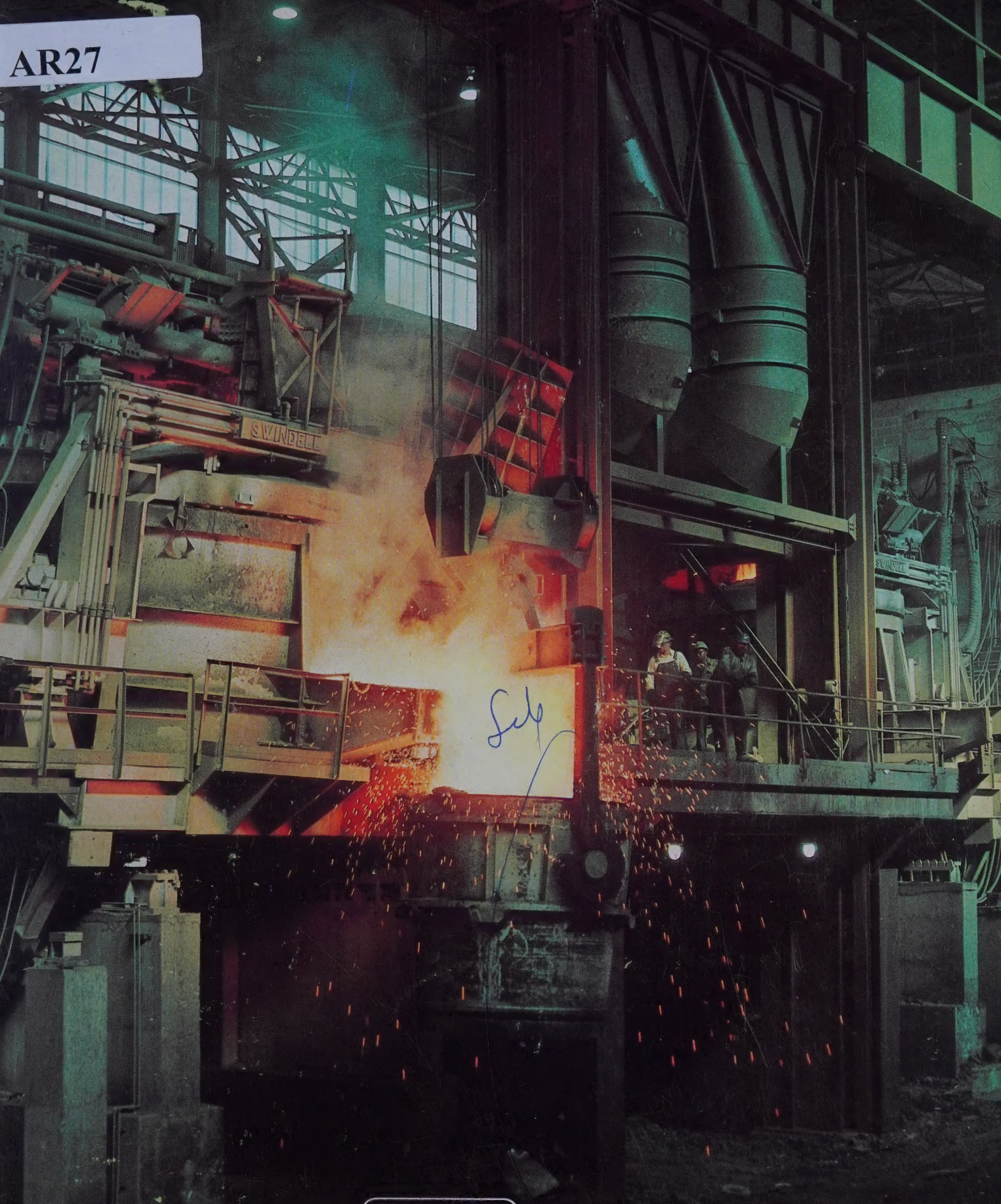

1972 ANNUAL REPORT

PORTER

H. K. PORTER COMPANY, INC.

Directors
Charles B. Baton
B. Campbell Blake
James A. Drain
Thomas M. Evans
Thomas M. Evans, Jr.
Fred C. Foy
Roy A. Hunt, Jr.
George D. Lockhart
J. Stuart Morrow
Charles W. Veatch

Corporate Officers
Thomas M. Evans
Chairman
J. Stuart Morrow
President
R. W. Davison
Executive Vice President
J. N. Yorke
Vice President-Finance
J. S. Banas
Vice President
W. E. Haines
Vice President
C. R. Hintz
Vice President
H. T. Montgomery
Vice President
C. P. Stewart, Jr.
Vice President
T. P. Luscher
Secretary and General Counsel
Charles V. Emory
Controller
W. H. Hartzell
Treasurer
C. E. Weiss
Assistant Treasurer

Subsidiary Managers
Domestic
P. E. Holmes
Pacific Asbestos Corporation
R. E. Trocin
Banks Miller Supply Company

International
K. Kilgour
Australia
C. Begnozzi
Brasil
W. H. Hohn
Canada
P. K. Studner
Europe
J. L. Olivares
Mexico

Stock Transfer Agent
First National City Bank,
New York, New York

Stock Registrar
Morgan Guaranty Trust Company
of New York, New York

Auditors
Arthur Andersen & Co.
Pittsburgh, Pennsylvania

PORTER

1972 ANNUAL REPORT

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ON THE COVER
New Connors Works melt shop in Birmingham, Alabama includes two 30-ton electric arc furnaces utilizing one of the most modern air pollution systems available.

To the Stockholders of
H. K. Porter Company, Inc.:

March 23, 1973

During 1972, your Company sold its entire Disston Division through a public offering of stock. This affected earnings in two ways. First, the sale produced an after-tax gain of just under $13,500,000. Second, it lowered the earnings compared with prior years, since the Company no longer had the income from the Disston operation. Despite the loss of that income, earnings from operations in 1972 would have been about the same as in 1971 had it not been for an unexpectedly large loss of revenue during the start up of the new melt shop at the Connors Works in Birmingham. The difficulties encountered at Connors have been resolved.

Recently, a study by an outside consulting firm confirmed the opinion of your management that the clay refractories plants located at Bessemer, Ala., Fulton, Mo., and Shelton, Conn. would likely remain unprofitable. All three have been losing money for several years. The decision was therefore made to close them. The net fixed assets and net inventories of these three plants at December 31, 1972 amounted to $7,534,000.

In addition, it has been decided to dispose of the W-S Works, manufacturer of forged steel fittings in Roselle, N. J., which has produced an unsatisfactory return for several years. The Watson Stillman net fixed assets and net inventories at December 31, 1972 amounted to $2,110,000.

At the present time, we are not in position to determine what loss, if any, would occur upon such dispositions but it is believed the overall effect on the Company will not be material.

Plant Improvements

Capital expenditures for plant and equipment totaled $13,066,639 for the year, exceeding depreciation by $7,688,435. Approximately $2,200,000 was spent during the year for pollution control equipment, on which the Company will get no return.

The largest single production project undertaken by the Company during the year was for a new melt shop, complete with dust collection equipment, for the Connors Works, which cost approximately $5,500,000. The second largest capital expenditure, just under $1,000,000, covered the installation of mixing equipment for the Bellefontaine Works. During the year, the Company also spent approximately $1,000,000 for new plants in Australia and Brazil.

Sales and Earnings

Net sales in 1972 were $231,714,918 compared with $253,599,652 in 1971. Net income from operations for the year amounted to $1,055,319 compared with $2,774,017 in 1971. Non-recurring gains, net of taxes, in 1972 were $13,400,960 which was principally from the gain on the sale of Disston, Inc. compared to a loss of $168,430 in 1971.

After non-recurring gains, the Company in 1972 had a net income of $14,456,279 compared with $2,605,587 in 1971. Net income in 1972 equalled $10.51 per Common share, after provision for dividends on Preference stock, compared with $1.34 in 1971.

During 1972, in addition to dividends on Preference stock, the Company paid four quarterly dividends of $.25 per share to the holders of Common stock.

Cordially yours,

President

Chairman

Financial Section

Accounting Policies:

Principles of Consolidation—The Consolidated financial statements include the accounts of the Company and all subsidiaries. Intercompany amounts have been eliminated.

Conversion of Foreign Subsidiaries—Fixed assets and depreciation and amortization are converted at historic rates; other balance sheet accounts at rates which approximate those in effect at the year-end and the other income statement accounts at the average rate of exchange prevailing during the year.

Depreciation and Amortization—The Company and its subsidiaries provide for depreciation of property, plant and equipment by periodic charges against income over the estimated useful lives of such assets. For financial statement purposes, the Company used the straight-line method of depreciation.

Deferred Federal Income Taxes—For Federal income tax purposes, the methods used in determining the depreciation deduction are generally those which result in the maximum amount of annual depreciation permitted under applicable income tax regulations. Any amounts of income taxes deferred, due to the depreciation deductions for income tax purposes exceeding those for financial statement purposes, are currently charged to income and credited to the reserve for deferred income taxes.

Investment Credit—The flow-through method of accounting is followed for investment tax credit. Accordingly, the provision for Federal income tax in the statement of consolidated income has been reduced by $400,000 in 1972. The credit in 1971 was not significant.

Pension Plans:

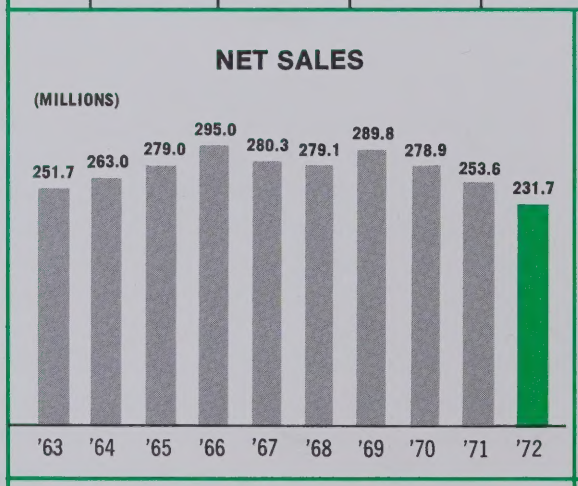
The Company and its subsidiaries have several noncontributory pension plans that provide retirement income for substantially all of their salaried and hourly employees. Pension expense (and funding) includes amortization of prior service costs over 40 years. The total pension expense charged to income under the plans was $2,208,000 in 1972 and $2,001,000 in 1971. The actuarially computed value of vested benefits exceeded fund assets and balance sheet accruals by approximately $7,114,000 at the date of most recent valuation.

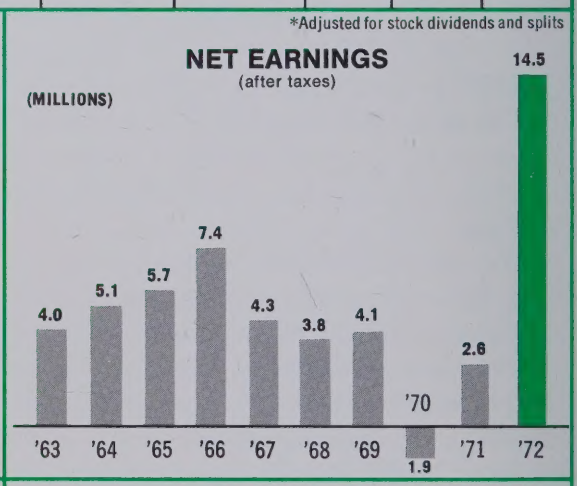
In 1971, the accountants qualified their opinion because the Company did not make provision for pension benefits in providing for closing costs of the Quaker Works as it was the opinion of management that such liabilities, if any, were not then determinable. In the opinion of independent legal counsel, it is now determined that no further liability exists.

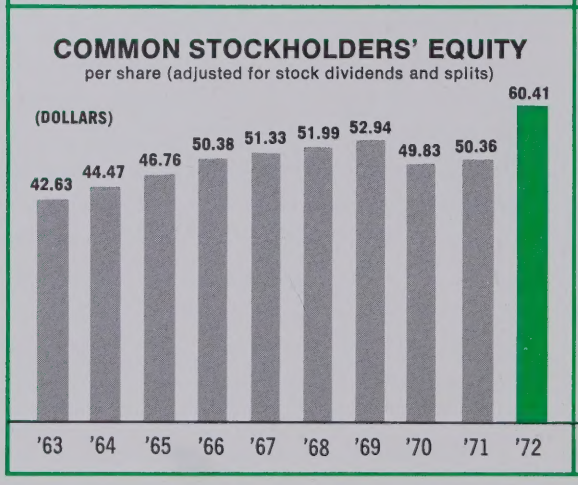
Ten Year Consolidated Financial Summary

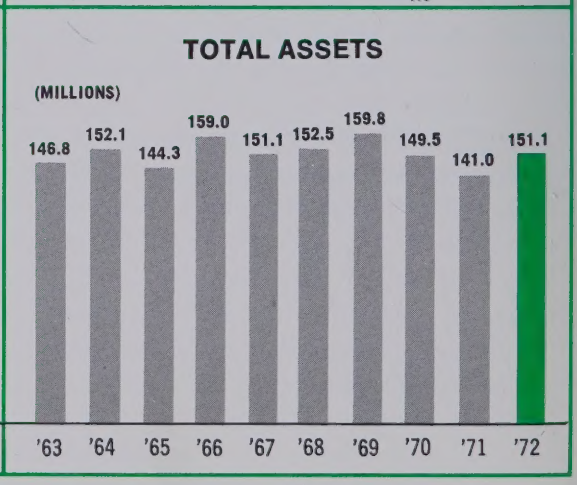
	Net Sales	Earnings Before Taxes	Earnings After Taxes	Working Capital	Charges for Depreciation and Amortization	Common Stockholders Equity Total	Common Stockholders Equity Per Share*	Earnings Per Share*	Cash Flow Per Share*
1963	$251,687,132	$ 7,887,498	$ 4,014,498	$59,034,679	$7,674,758	$56,352,722	$42.63	$2.21	$ 8.02
1964	263,045,895	9,274,434	5,134,434	52,652,597	7,704,340	58,779,026	44.47	3.19	9.02
1965	278,990,242	10,701,308	5,713,308	55,080,148	8,043,894	61,804,687	46.76	3.65	9.74
1966	294,985,335	13,929,090	7,440,090	61,278,812	7,683,682	66,587,079	50.38	5.01	10.82
1967	280,310,952	7,702,325	4,274,325	53,772,790	8,219,894	67,851,601	51.33	2.57	8.79
1968	279,121,958	6,948,537	3,830,210	56,570,300	8,606,362	68,716,865	51.99	2.24	8.75
1969	289,838,712	8,013,293	4,113,231	51,992,822	6,346,458	69,822,384	52.94	2.46	8.18
1970	278,914,530	(2,784,982)	(1,911,264)	47,850,825	6,047,592	65,725,690	49.83	(2.10)	2.49
1971	253,599,652	5,884,934	2,605,587	47,826,662	5,688,386	66,425,034	50.36	1.34	5.63
1972	231,714,918	22,406,800	14,456,279	43,390,503	5,378,204	78,731,002	60.41	10.51	14.64

*Adjusted for stock dividends and splits









Statement of Consolidated Income for the Years Ended December 31, 1972 and 1971

	1972	1971
Net Sales	$231,714,918	$253,599,652
Cost of Sales (exclusive of depreciation and amortization)	203,014,581	215,230,331
	$ 28,700,337	$ 38,369,321
Selling, General and Administrative Expenses	$ 21,674,863	$ 25,896,070
Depreciation and Amortization—Primarily straight-line method	5,378,204	5,688,386
Interest on Borrowings	1,024,591	1,544,084
Other Expense (Income), net	(1,132,161)	(983,583)
	$ 26,945,497	$ 32,144,957
Income before taxes and non-recurring gain	$ 1,754,840	$ 6,224,364
Provision for Taxes on Income:		
Current	457,521	2,450,347
Deferred	242,000	1,000,000
Income before non-recurring gain	$ 1,055,319	$ 2,774,017
Net Non-recurring Gain, (In 1972, principally from the gain on sale of Disston, Inc.) net of income taxes of $7,195,130 and ($171,000)	13,400,960	(168,430)
Net income	$ 14,456,279	$ 2,605,587
Net Income (Loss) per Share of Common Stock:		
Income before non-recurring gain	$.23	$1.47
Non-recurring gain, net of income taxes	10.28	(.13)
Net income	$10.51	$1.34

Consolidated Balance Sheet
December 31, 1972 and 1971

Assets

	1972	1971
Current Assets:		
Cash	$ 4,569,102	$ 7,319,018
Marketable securities, at cost (quoted market approximately $18,850,000 in 1972)	14,820,697	4,681,796
Receivables, less allowance of $470,048 in 1972 and $611,258 in 1971	32,736,033	32,555,106
Inventories, at lower of cost or market:		
Raw materials and supplies	$ 16,048,909	$ 16,240,871
Work-in process	13,849,293	13,984,122
Finished goods	13,887,122	18,623,464
	$ 43,785,324	$ 48,848,457
Less reserve to state certain inventories at LIFO cost	7,174,496	6,596,340
Total inventories (including $33,373,990 on LIFO basis in 1972 and $30,276,132 in 1971)	$ 36,610,828	$ 42,252,117
Prepaid expenses	1,634,325	914,828
Total current assets	$ 90,370,985	$ 87,722,865
Other Assets	$ 1,600,199	$ 1,672,170
Investment in Land, at cost	$ 3,300,000	$ —
Property, Plant and Equipment, at cost:		
Land	$ 6,089,564	$ 6,053,629
Buildings and leasehold improvements	28,062,486	30,484,527
Machinery and equipment	90,676,639	91,469,005
	$124,828,689	$128,007,161
Less accumulated depreciation and amortization	68,935,095	76,350,603
Net property, plant and equipment	$ 55,893,594	$ 51,656,558
	$151,164,778	$141,051,593

Liabilities

	1972	1971
Current Liabilities:		
Short-term loans and current portion of long-term debt	$ 5,227,837	$ 4,169,842
Accounts payable	16,784,527	17,110,091
Accrued payrolls, taxes and other liabilities	12,442,861	10,877,099
Income taxes	12,525,257	7,739,171
Total current liabilities	$ 46,980,482	$ 39,896,203
Long-Term Debt, less current portion:		
5½% promissory notes, annual payment of $2,000,000 maturing April 1, 1975	$ 4,000,000	$ 13,000,000
5¼% to prime plus ¼% bank notes, payable 1973	—	2,000,000
5½% to 7½% notes payable, maturing on various dates through 2004, secured by land	2,137,911	—
Miscellaneous subsidiary term debt	2,142,131	1,387,431
	$ 8,280,042	$ 16,387,431
Deferred Income Taxes	$ 3,800,000	$ 2,800,000
Other Deferred Credits	$ 448,452	$ 674,925
Stockholders' Equity:		
5½% cumulative sinking fund preference stock—par value $100 per share—subject to annual sinking fund requirements—authorized 198,996 shares; outstanding 129,248 shares, after deducting 37,258 treasury shares in 1972	$ 12,924,800	$ 14,868,000
Common stock—par value $5 per share—authorized 3,000,000 shares, outstanding 1,303,301 shares, after deducting 19,286 treasury shares in 1972	6,516,505	6,594,815
Capital surplus	1,966,404	2,137,829
Earned surplus	70,248,093	57,692,390
Total common stockholders' equity	$ 78,731,002	$ 66,425,034
Total stockholders' equity	$ 91,655,802	$ 81,293,034
	$151,164,778	$141,051,593

Statement of Consolidated Source and Use of Cash for the Years Ended December 31, 1972 and 1971

	1972	1971
Source of Cash:		
Balance, January 1	$ 7,319,018	$ 6,017,078
Additions to cash during the year:		
Income before extraordinary items	$ 1,055,319	$ 2,774,017
Depreciation and amortization	5,378,204	5,688,386
Amortization of excess of book value of subsidiaries acquired over cost	(396,000)	(396,000)
Deferred income taxes	242,000	1,000,000
Cash provided by operations	$ 6,279,523	$ 9,066,403
Extraordinary gain on disposition of Disston, Inc.— Proceeds $34,000,000 less Disston book value, expenses and $7,195,130 of income taxes	13,400,960	—
Deferred income taxes applicable to extraordinary item	758,000	—
Debt incurred in connection with investment in land	2,398,586	—
Disposals of property, plant and equipment	3,451,399	4,026,629
Other assets and deferred credits, net	241,498	430,021
Other additions to cash—		
Decrease in inventories	5,641,289	725,704
Increase in income taxes	4,786,086	1,094,507
Increase (decrease) in accounts payable and accruals	1,240,198	(3,510,573)
Federal income tax refund	—	2,269,760
Total additions to cash	$38,197,539	$14,102,451
Use of Cash:		
Disposition of cash during the year:		
Additions to property, plant and equipment	$13,066,639	$ 6,330,960
Net reduction of debt	9,447,980	7,211,632
Investment in land	3,300,000	—
Reacquisition of preference and common stock	2,008,316	623,871
Dividends	2,085,195	2,160,372
Extraordinary loss on disposition of plants, net	—	168,430
Other dispositions of cash—		
Increase in marketable securities	10,138,901	2,386,695
Increase (decrease) in prepaids	719,497	(418,946)
Increase (decrease) in receivables	180,927	(5,662,503)
Total disposition of cash	$40,947,455	$12,800,511
Net cash increase (decrease) for the year	$ (2,749,916)	$ 1,301,940
Balance, December 31	$ 4,569,102	$ 7,319,018

Statement of Consolidated Surplus for the Years Ended December 31, 1972 and 1971

	1972	1971
Capital Surplus:		
Balance beginning of year	$ 2,137,829	$ 2,068,319
Add—		
Excess of cost under par value of capital stock reacquired (19,432 preference shares and 15,662 common shares in 1972)	13,194	254,129
	$ 2,151,023	$ 2,322,448
Deduct—		
Transfer to earned surplus a portion of excess of book values of net assets of acquired companies over investments therein deemed to be realized through sales, retirements or depreciation	$ 184,619	$ 184,619
Balance end of year	$ 1,966,404	$ 2,137,829
Earned Surplus:		
Balance beginning of year	$57,692,390	$57,062,556
Add—		
Net income	14,456,279	2,605,587
Transfer from capital surplus, as explained above	184,619	184,619
	$72,333,288	$59,852,762
Deduct—		
Dividends on:		
5½% Preference stock	$ 772,110	$ 841,409
Common stock—$1.00 per share	1,313,085	1,318,963
	$ 2,085,195	$ 2,160,372
Balance end of year	$70,248,093	$57,692,390

Accountants' Report

To the Stockholders and Board of Directors,
H. K. Porter Company, Inc.:

We have examined the consolidated balance sheet of H. K. PORTER COMPANY, INC. (a Delaware corporation) and subsidiaries as of December 31, 1972, and the related statements of income, surplus and source and use of cash for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In early February, 1973, the Company decided to close or otherwise dispose of three of its refractory plants (net investment approximately $7.5 million) because the plants have incurred continuing losses. No provision has been made for the possible loss on disposition of the assets involved, closing costs and employee severance costs which may be incurred. It is the opinion of management of the Company that such losses, if any, are not presently determinable.

In our opinion, subject to the possible effect of the matter described in the preceding paragraph, the accompanying consolidated balance sheet presents fairly the financial position of H. K. Porter Company, Inc. and subsidiaries as of December 31, 1972, and the accompanying related statements of income, surplus and source and use of cash present fairly the results of their operations and source and use of cash for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pittsburgh, Pennsylvania
January 22, 1973

ARTHUR ANDERSEN & Co.

OPERATIONS REPORT
Domestic Divisions

Connors Steel Division

Hot rolled merchant bars and bars shapes, light structurals, special sections, cold finished bars, bulb tees, mine roof bolts, reinforcing bars, light rail, mine ties. Plants at Birmingham, Ala.; New Orleans, La. and Huntington, W. Va.

In 1972 the Connors Steel Division completed its pollution control program with the installation of a new melt shop and air pollution control system at the Connors Works in Birmingham. The new melt shop, which includes two 30-ton electric arc furnaces with 20,000 kVA transformers, replaced three smaller furnaces on which it was impractical to install effective air pollution control equipment. With the addition of this equipment at the Connors Works, a maximum removal of particulate matter has been achieved.

Utilizing cloth filtration, the baghouse system provides approximately 99 percent dust pick-up efficiency through side draft hoods on each of the two electric furnaces. The system is designed to comply with the most rigid air pollution codes and to exceed federal air pollution control specifications. Air pollution control authorities have made a final inspection of the system and have granted approval to operate.

Sales volume throughout the year remained strong despite delays resulting from starting up the new melt shop. The break-in period is complete and this facility is at full production.

In addition, the Connors Works has eliminated its cold-drawn department pickling operation and the accompanying use of sulfuric acid. This operation was replaced with shot blasting equipment to remove mill scale from hot-rolled stock.

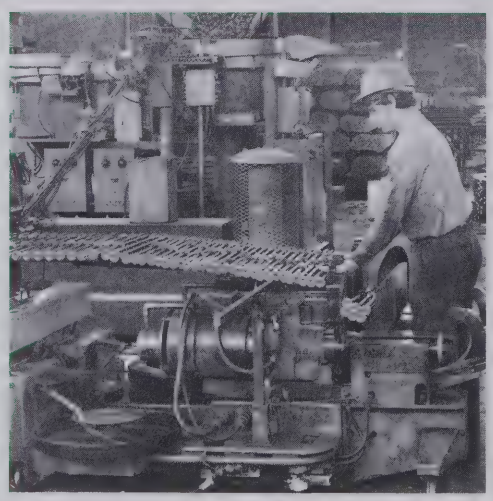
The West Virginia Works in Huntington began an extensive three phase expansion program. In the initial phase, new bar bending machines and a new bar shearing line were installed in the Concrete Reinforcing Bar Fabricating Department.

A second phase of the program called for a complete modernization of the Mine Roof Bolt Department. New equipment includes the most modern machinery now available for manufacturing, assembling and packaging mine roof bolts.

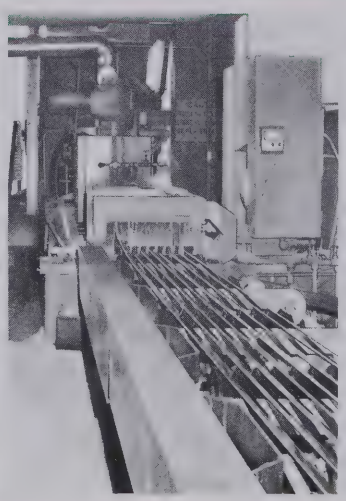
The third and most significant phase of the program includes plans for expansion in the steelmaking and rolling mill areas. It provides for improved scrap handling and increased soaking pit and billet reheat furnace capability.

Major efforts at both the Connors and West Virginia Works were directed toward pollution control, improved operating efficiency and to the development of new products that would assist in further market penetration.

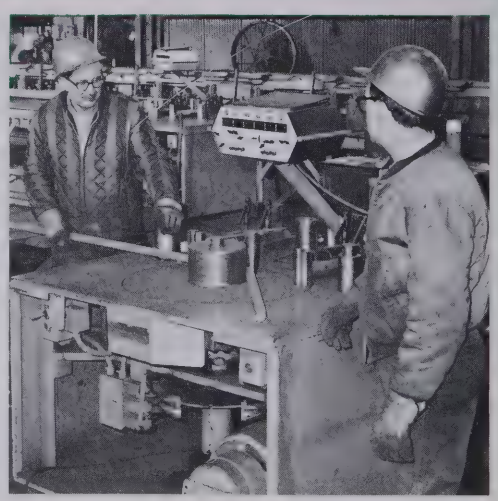
Benefits from previous improvement are being realized and expectations from current programs indicate continued improvement in 1973 despite intense foreign and domestic competition and rapidly increasing prices for scrap.



West Virginia Works utilizes automated equipment for manufacturing, assembling and packaging mine roof suspension bolts.



New shot blaster at Connors Works removes mill scale from finished products, eliminating use of sulfuric acid system.



Recently installed reinforcing bar bending machine, pictured above, along with new shearing line has improved production efficiency and customer service.

Refractories Division

Refractories for basic oxygen vessels. Pouring pit refractories for use in steel, ferrous, nonferrous, cement and lime, glass and other industries. Plants at Owensville, Mo.; Hammondsville, Irondale, and Wellsville, Ohio, and Vanport, Pa.

Low steel production during the first half of 1972, combined with a reduction of refractories demand owing to technological change in the consuming industries, resulted in depressed pricing and reduced profitability in the industry. The protection of human and ecological resources continued to require the allocation of capital funds. The upturn of business in the last half of the year promised some improvement in the situation in 1973.

1972 was a decisive year in the refractories industry. Many firms in the industry reduced operations or closed plants, particularly in the fireclay segment of the business. After an extensive study of the Refractories operations, in relation to future marketing conditions, the decision was made to concentrate in the specialty field. The plants at Bessemer, Alabama, Shelton, Conn., and Fulton, Mo. are currently either in the process of being sold or phased out.

Progress was made in improving plants and products in areas where the initial steps were taken in 1971. New equipment was installed and "shaken down" at the Vanport Works during the first quarter of the year. This coupled with improved raw materials resulted in greater market penetration for Vanport products. The Works achieved its highest average selling rate during 1972 with continued success expected in 1973.

The McLain pouring pit operations made great strides toward achieving product uniformity and reducing raw material costs. One clay mine was closed and another was virtually redesigned and equipped to increase its production three-fold. All ladle brick plants now will operate on the same blend of raw materials. Operating results were not normal for the year owing in part to the effect of the mine reconstruction on production. The full effect of the mine improvement should be felt in future years.

The Owensville plant continued to improve its share of the glass pot market in 1972, justifying the Division's return to this specialized area of refractories.

Porter Extar refractory brick is used for BOF requirements.

Glass pots drying in storage at the Owensville plant. Carefully controlled temperature and humidity is required to prevent damage.

Operator drives into the face of the mine prior to blasting.

Electrical Division

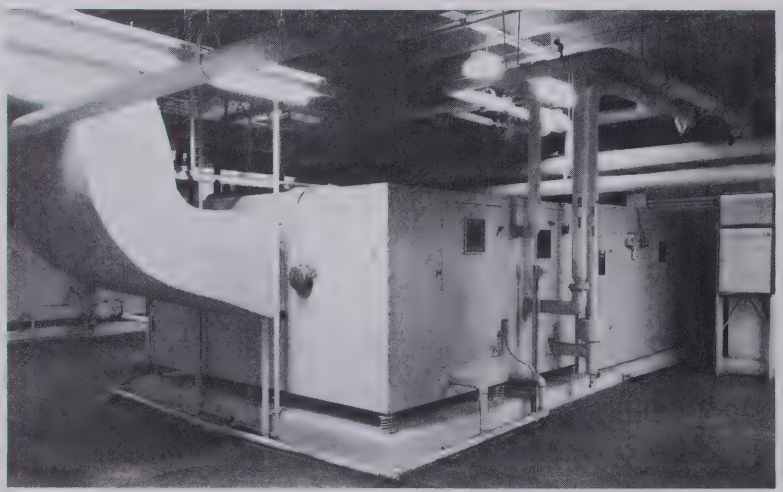
"Delta-Star" high and low voltage switches, isolated phase and industrial bus, substations, connectors, terminators, cable accessories, distribution and power transformers, current collector systems. "Marlo Coil" heat transfer, commercial and industrial air conditioning equipment. "Peerless Electric" standard and special electric motors, industrial and commercial fans and blowers, and ventilating equipment. "Superior" metal trim. Plants at Springdale, Ark.; Belmont, Calif.; Chicago, Ill.; St. Louis, Mo.; Warren, Ohio and Lynchburg, Va.

Electrical Division sales in 1972 were down from the prior year. This was caused in large part by the prolonged weak markets in certain utility product lines affecting four of the Division's six plants. Sales of some products were controlled to minimum levels in order to minimize the impact of the eroded price levels on the overall operation. In the last quarter it became evident that certain of these product lines had "bottomed out" as far as the long downward market trend was concerned, and prices began firming as demand picked up. This is notably apparent in the distribution transformer line. The pace of business activity in specialty motors also turned upward about mid-year and continued to rise in the last half. This is directly related to the capital equipment sector and the outlook is good for continued profitable growth in 1973.

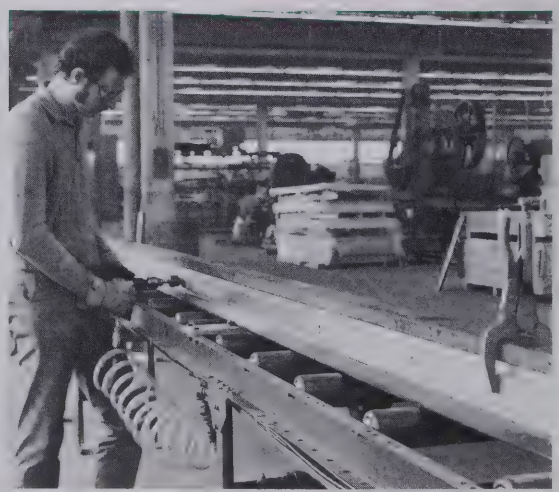
At Belmont Works the principal products are transformers, and as noted above, this was a tough year for these markets. The best gains were made in developing additional new market areas such as Alaska and Hawaii. Engineering progress continued in developing a capability for power transformers up to 15 MVA and 115 kV. Looking toward 1973 the demand level, and hence the price levels, looks most encouraging.

The Chicago Works produces the high voltage line of "Delta-Star" power switching equipment and complete outdoor substations. Both of these key products continued to suffer the effects of slackened demand and intense price competition. Some major redesign to replace older types should be on stream in 1973 and permit more successful and profitable sales. The generator bus line had a very successful year in point of sales and bookings, although price levels are weak. This line relates to utility power plant construction, and there has never been a past period to match the ongoing and announced plans for such construction. The cable accessories line had a good growth year and remains quite profitable.

The major product line at Lynchburg Works is distribution transformers. As noted above, this line was hit hardest based on weak demand and gross overcapacity in the industry. Accordingly, a successful selective marketing plan was used to attract minimum levels of these units at the best possible prices. The long downward trend, which began in 1966, has bottomed somewhere in the third quarter of 1972. Best indicators are for rapidly increasing demand and resultant price improvements. The industrial products line had somewhat better sales



A custom designed Marlo air handling unit being used to condition the air in the vast new McCormick Place exhibition center in Chicago.



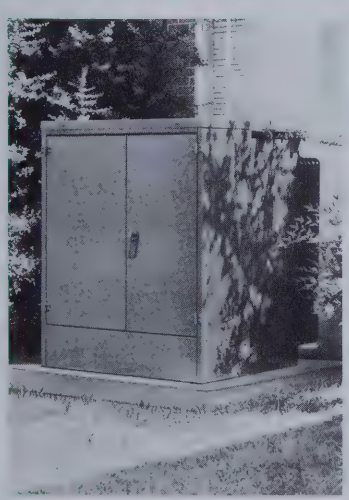
A new development, COM-TRAN-RAIL, is a composite steel-aluminum transit rail shown here being produced at Lynchburg Works.

than the prior year, and as usual, was very profitable. It is sensitive to the general business economy, and therefore, the future looks quite good at this point. The most significant product advance was the development of a unique lightweight third rail for mass transit systems in and around urban areas. The design is patented and combines the best features of a conventional steel rail with high conductivity aluminum extrusions to carry the heavy load currents necessary to power the new generation of transit cars. An initial order was secured from a large Midwest transit authority and the prospects for rapid growth of this product are very good.

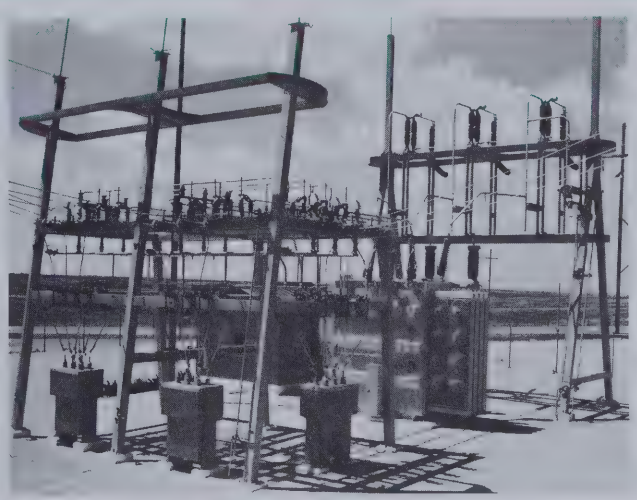
Marlo Works sales were down in 1972 based on a general decline in the construction and commercial market sectors. However, at year end their backlog was significantly higher than a year ago, and in good basic lines that generate profitable sales. Most significant product development was a package compressorized heat exchanger unit to force cool the oil in underground utility power cables so that approximately 50% more load current can be carried by the cable. This is a vital need with the large urban utilities, especially in the older congested cities where it is difficult or impossible to add new larger cables. An initial order has been secured and will ship in 1973. Some important new machine tools were installed at Marlo during the year and will make a good contribution to labor cost reduction and inventory levels.

The Springdale Works completed its fifth full year of operations with mixed performance. The structural steel segment was strong, but the all-important lower voltage switch lines were badly depressed in volume and market price levels. The group management concept was adopted about mid-year with a Group Manager appointed for both Chicago and Springdale. A new in-line hook stick disconnect switch was developed and should help the switch product line. Other devices such as a low-cost interrupting unit for distribution line usage are in final development for marketing in 1973. The backlog has been improving and was up considerably at year end. Largely responsible was the package substation marketing effort adopted at Springdale in 1972 which was successful in reaching and serving the markets other than prime private utilities.

The Warren Works enjoyed greater sales than in 1971. Much of this occurred in the motor business where activity began picking up about mid-year and beyond. Specialty motors find wide usage in the machine tool industry and special industrial equipment markets such as floor maintenance machines. The fan and blower business was generally down based on the slackened construction and commercial markets, but by year end was also turning upward. To aid this growth, a new lower cost fan line for commercial use was introduced with good early reception. Significant new machinery and equipment was added to the motor plant to reduce labor costs and improve quality. The outlook for continued sales and profit growth at Warren in 1973 is excellent.



Delta-Star duplex transformers are used in high rise buildings to supply single and three-phase power from one unit.



This modern low-profile Delta-Star substation is serving a utility located in western Texas. Substations are designed and manufactured at the Division's Chicago and Springdale Works for all voltage ratings and environmental conditions.

One of 107 Peerless Electric fans installed in the new Western Electric plant located near Atlanta, Georgia.

Thermoid Division

Asbestos textile products including cloth, carded fiber, lap, rope, roving, tape, wick and yarn; industrial and automotive hose; wire-reinforced ducting, and automotive friction products including brake linings and clutch facings. Plants at Huntington, Ind.; Chanute, Kan.; Richmond, Ky.; Charlotte, N.C.; Bellefontaine, Ohio and Bennettsville, S.C.

Thermoid Division sales were up over 1971 with all-time highs recorded at the Bellefontaine, Chanute and Richmond Works.

During 1972, a major effort was made to bring all of the division's Works into compliance with OSHA regulations. By the year end considerable progress was evident with completion scheduled for early 1973. Each of the Works of the Asbestos and Friction Groups will exceed the requirements established for their type of manufacturing operations.

The Textile and Friction Group restructured its sales organization with the addition of a Heavy Duty Sales Department. The sales engineers assigned to this area are friction products fleet specialists and should strengthen OEM and aftermarket brake block and heavy duty lining sales. During 1972, a new line of "Red Streak" brake linings for light and medium truck applications was introduced.

One of the two major producers of friction products is closing their production facilities, and Thermoid should benefit substantially from increased sales opportunities in molded friction, clutch facings, brake linings and block during 1973.

Thermoid was chosen by one of the Big Three automotive producers to provide the front disc brake and rear lining material for a new motor home. This is a very critical application, and before the successful vendor was picked, extensive testing, lasting more than two years, was carried out. This breakthrough establishes a family of friction materials that will be contenders on all OEM disc brakes. Thermoid is one of the first, and possibly the only manufacturer, that has supplied a combination disc pad and lining that will pass the Department of Transportation braking standards.

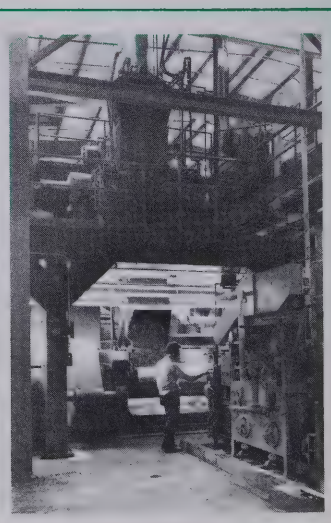
Expansion of our laboratory and vehicle test facilities at Huntington, Indiana; Jennerstown, Pennsylvania and Richmond, Kentucky, should provide new and better materials as the market demands. This included new instrumentation of two brake dynamometers and a test car equipped to monitor 18 different hose temperatures while the vehicle is moving.

The Bellefontaine Works became a fully integrated rubber hose manufacturing plant with the installation of new mixing equipment. The most modern and fully automated bulk handling system provides the intermix with carbon black. The mixing equipment is capable of supplying the total compound requirement for the four continuous production lines.

The Amco Works installed several multi-deck curing presses to balance the production of the yarn treating line installed last year. The Richmond Works started operat-

A few of the Thermoid fleet of vehicles used to develop and test friction products.

Part of the recently installed automated carbon black handling system at the Bellefontaine Works.



Automatic mixing equipment measures precise amount of ingredients to maintain consistent hose production.

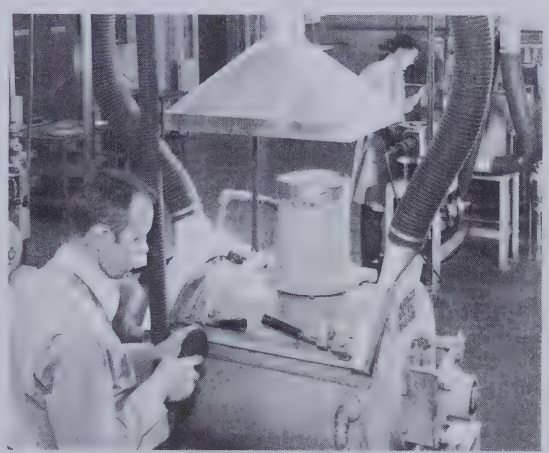
ing an automated recycling extruder and pre-form complex for the production of molded clutch facings. A new yarn treating line was installed at Charlotte.

The Chanute Works introduced a new jet starter hose with an integral scuffer jacket. The new hose has been tested by a major airline at the Baltimore, Maryland Airport and has proved to be of excellent quality and reliability.

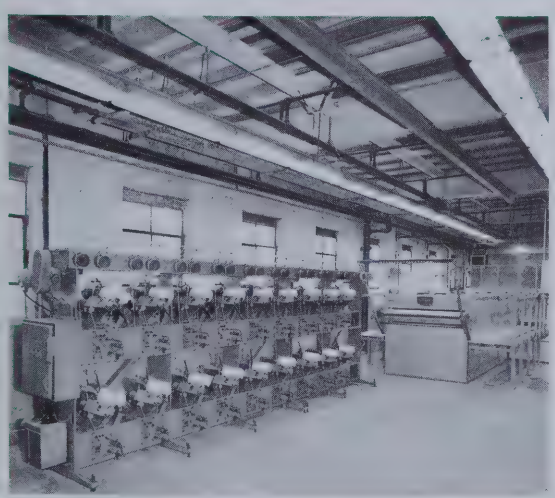
During 1972, the division introduced a breakthrough in pollution control oriented asbestos products. The exciting, new Cleangard® asbestos material can be supplied in yarn, cloth and tape. Legislation requires asbestos products carrying a dust count of above five fibres be labeled as a potentially dangerous material. The new Cleangard® products are far below the stiff legal requirements, eliminating the need for pollution labels of any kind. Cleangard® provides the market with an excellent and safe product for the many applications that only asbestos can serve.

1973 is a year of opportunity for the Thermoid Division. Each operation has a solid product line, an experienced sales force backed by in-depth product and process development. Our people are our most important asset. We are working to improve job security, safety and interest. New means of communications with our employees are providing a better exchange of ideas and a good climate for developing sound solutions to everyday job frustrations.

Checking heat sensor which monitors the operation of the new continuously-produced automotive hose.



Porter flexible ducting helps manufacturers comply with OSHA regulations regarding pollution control.



New treating equipment installed at Charlotte Works assures a supply of high quality yarn.

Thermoid jet starter hose with integrally bonded scuffer jacket doubles normal hose service life.

Porter Cleangard® asbestos products exceed OSHA requirements and increases abrasion resistance by 50 percent.

Fabricated Metals Division

Functional and decorative cold formed sections; copper-base, stainless steel and nickel base alloys in wire, flat wire and rod; fine wire specialties in nonferrous metals. Plants at Frankfort, Ky. and Prospect Park, Pa.

Division sales were approximately equal to the prior year. The Alloy Works and the Coldform Works showed a slight sales decline. The backlog position at both Works, however, is substantially above the backlog at the close of business for 1971. Of significant note was the upsurge of sales for the Alloy Works in the last quarter of 1972. The rate of orders received early this year confirms the recovery of this basic product market.

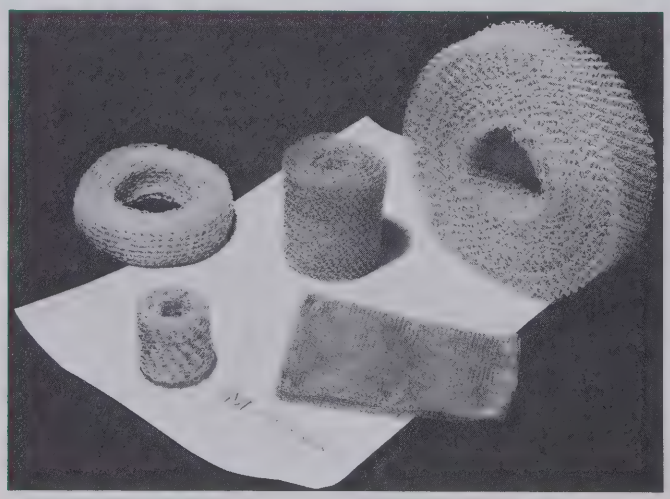
During 1972 the Alloy Works discontinued the practice of lead bath coating of wire. The regular manufacturing processes of Alloy wire require cleaning and pickling in a series of acid tanks. To control pollution and to more efficiently perform these cleaning and pickling operations, a new series of tanks and material handling equipment were installed with a lateral fume exhaust system coupled with a scrubber mechanism. This total system removes the fumes from the work space and cleans those fumes collected before venting into the atmosphere. This installation not only gives this Works a more efficient operation but one which meets current codes relative to pollution control.

Plans were formulated during the year for the expansion of certain facilities for increased flat wire and shapes production. The stainless steel alloy line was broadened to include two new alloys, 303 and 416 stainless steel free machining grades. This expansion of the line is expected to assist our distributors by enabling them to offer a complete line of stainless steel alloys. Increased wire stranding facilities will be added to meet market demands. These two areas will increase the plant capabilities, both in capacity and in the overall line of products offered.

Coldform Works has devised a completely new method of manufacture of automotive door frames to produce closer tolerances and higher quality as demanded by the automotive industry. The door frames, as produced by Coldform, are not only functional elements of the automobile but are a significant part of the aesthetic and styling designs. With this method of manufacture, the automotive designers have greater freedom in their styling selections. These innovations will increase the capability to quote on future designs forecasted by the automotive industry.

A concentrated effort has been, and is being made, to expand sales outside the automotive market in the industrial field, and the truck and trailer industries.

Profits at the Alloy Works were down primarily due to competitive pricing. Prices have firmed during the last quarter and during the early part of 1973. Automotive production forecasts are high, which will result in increased business at Coldform.



Porter Wire used in layered mesh forms in a variety of shapes for air filters, smog suppressors and mist eliminator applications.

Butt welding passenger car door frames at the Coldform Works.

Domestic Subsidiaries

Banks-Miller Supply Company

A multi-product wholesale distributor serving the metals and chemical industries, coal mines, road and building contractors, and their related manufacturing and fabricating companies. Primary markets in eastern Kentucky, southern Ohio, southwest Virginia, and central and southern West Virginia. Four locations, all in West Virginia. Subsidiary: Buchanan Wholesale, with two locations near Grundy, Va.

1972 marked Banks-Miller's Diamond Anniversary—75 years serving the coal mining and chemical industries, building and mechanical contractors, fabricators, manufacturers and power plants. The products are subdivided into six major groups in accordance with the type customer served; industrial supplies, mine supplies, industrial rubber, plumbing and heating equipment, contractors' equipment and all types of tools.

1972 sales showed an increase despite cutbacks and strikes in the major industries served. All product groups participated in the increase. This improved market penetration was aided by geographic expansion west into east central Kentucky and north into Parkersburg, W. Va. The new branch at Parkersburg, W. Va., is projecting 1973 sales upward, and an additional effort will be directed to industry that is enjoying good growth in the area.

The program to sell "Turn Key" metal buildings was quite successful in 1972. As distributors for nearly all of the products contained in one of these buildings, we have a unique, competitive advantage that we will continue to exploit.

Pacific Asbestos Corporation

Integrated production of "Mother Lode" asbestos fibres, from mining of chrysotile asbestos through complete processing. Located at Copperopolis, Calif.

1972 sales improved substantially over 1971. Aggressive efforts to improve the balance between domestic and export sales, coupled with significant improvements in mining and milling procedures, improved Pacific Asbestos' position in the market. Sales are expected to increase in 1973 through recovery of short fibres from tailings and improved product availability.

Equipment was installed to provide larger capacity screening and a vertical dryer for increased capacity in drying fine products. Environmental and hygienic dust control and collecting facilities were added during the year.

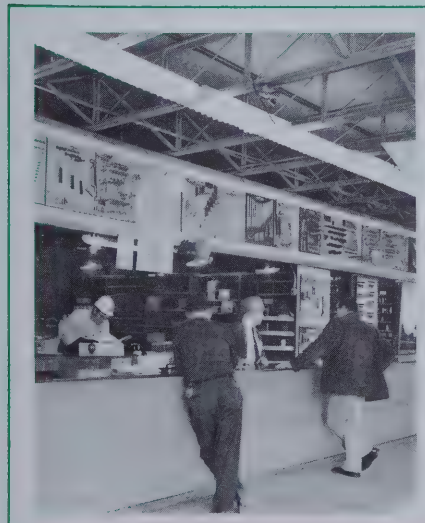
International Subsidiaries

H. K. Porter Company de Mexico, S.A.

Handsaws, plastering trowels, spatulas and scrapers. Plant: Mexico D.F.

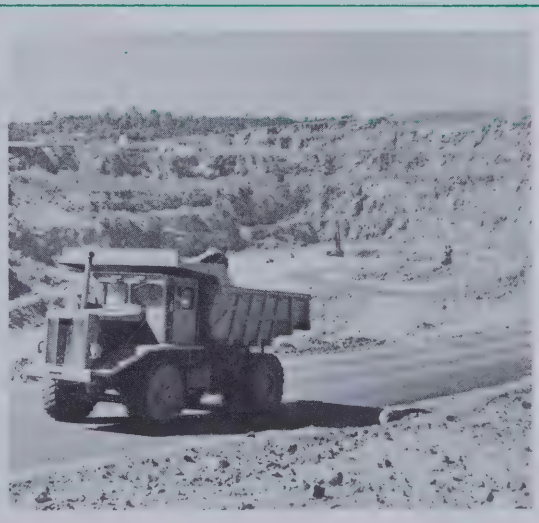
Sales increased substantially over 1971 with a marked increase in the circular saw line. The general improvement in the Mexican economy was a contributing factor.

Sales for 1973 should show further growth due to the forecasted expansion of the construction industry related to the Mexican Government Workers Housing Program.



Typical Banks-Miller branch counter sales service serving contractors in their market area.

A view of the many industrial supplies available in the 80,000 sq. ft. Huntington, W. Va. warehouse.



The Pacific Asbestos mine has the finest chrysotile deposits in the United States.

H. K. Porter Australia Pty. Ltd.

Automotive wheel parts and accessories. Handsaws, circular saws and associated hardware equipment. Specialist automotive brake and repair service outlets with related spare parts distribution. Plants at St. Marys, New South Wales and Perth, Western Australia. BrakeMasters Service Depots throughout Melbourne, Sydney, Perth and Brisbane, Australia.

1972 was a record year for Porter-Australia. Improvement in manufacturing processes, better pricing and new product introduction made major contributions to both sales and earnings.

Significant sales increases were realized at BrakeMasters through opening of new locations in New South Wales, Western Australia, Queensland and the acquisition of Mitcham Brakes in Melbourne. This expansion also contributed to increased production at the Thermoid friction facilities.

Major plant modernization at St. Marys was completed in 1972 with the addition of an electro-plating line, automated polishing machines, and a wide range of toolroom and machinery equipment.

New sales were realized by introducing cordless electric products, and an expanded line of manufactured hardware. Additional wheel cover business was obtained from a major automotive manufacturer.

Further sales increases for 1973 are expected through new distributing and franchising methods underway for Thermoid products, and increased business at the BrakeMaster service outlets.

H. K. Porter do Brasil (Alcace) S.A.

Electrical equipment for industrial and utility use, including lightning arresters, fuse cutouts, switches, terminators, electric motors, connectors and motor starters; industrial and automotive friction materials. Plants at Maua, Recife, and Sao Paulo, Brasil.

Sales rose to new highs in 1972 with a favorable outlook for further gains in 1973. The completion of the new Ceramica plant, along with new product introduction and the expansion of its existing product lines, contributed to the sales growth.

Brasil developed and introduced a new line of pantagraphic sectional disconnect switches with ratings to 230 kV, 1250 amp. Market acceptance has been good especially with substantial sales to the electric facilities of Rio Grande do Sul. The first 500 kV sectional switch ever produced in Brasil was completed during the year. Formerly these products were imported to this market.

The final installation of three new ovens and pre-drying heaters in the Ceramica plant doubles the production capability for isolators. New equipment was added in the electrical product production facilities to support the manufacture of electrical connectors and bar supports. Hundreds of new kinds of connectors, including those with EHV ratings, were placed on the market in 1972.

The over-all growth in the Brasilian economy, both private and governmental, is encouraging for the future prospects of Porter-Brasil.

BrakeMasters utility delivery vehicles service automotive repair depots throughout Australia.

Osbourne wheel cover manufactured for 1972 Rambler Matador.

New Porter-Brasil pantagraphic sectional starter with 230 kV, 1250 amp rating.

H. K. Porter Company (Canada) Ltd.

Distribution and power transformers, relays, electrical underfloor and surface raceway systems, floor boxes, service fittings, disconnect switches and conductor and current collector systems. Plant in Woodstock, Ontario.

Broadening of the transformer product line and the strengthening of quality control procedures resulted in a significant increase in sales of this major product line during the past year. This strong upward trend is expected to continue in 1973.

A battery of four new power transformer coil winding machines and a sophisticated transformer oil degassing and dehydrating unit was installed to improve manufacturing efficiency and quality.

Underfloor raceway systems sales declined substantially from 1971 levels, reflecting the significant drop in the construction of new schools and commercial buildings.

Considerable time and effort was expended in 1972 working with a number of governmental agencies, consultants and manufacturing firms involved in the specification, design and supply of various rapid transit systems, and during 1973, it is expected that this extensive technical application work will result in a major increase in sales of our conductor and current collector systems.

Porter Europe

France

Railway freight and tank cars, vehicle components, carbon and alloy steel castings for heavy industry, fabricated equipment for the petrochemical and steel industries, hydraulic components including pumps, control valves, cylinders, pressure controls, steering controls, and ducting for air-conditioning, industrial, and aircraft applications. Plants at Haillicourt and Marpent, France.

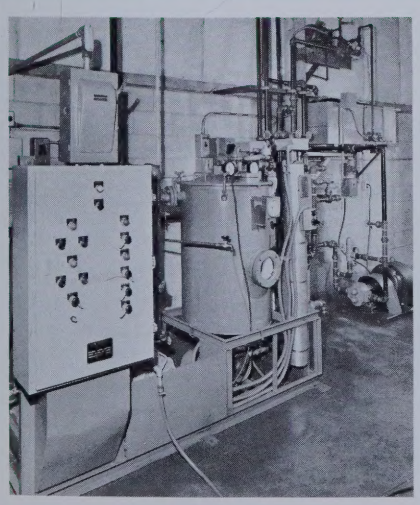
Once again Porter-France achieved record sales of tank cars, hopper cars, flat and box cars and other railroad materials to the rolling stock industry. A new biconic tank wagon for petroleum products has been introduced and enthusiastically received by oil transport companies. An order was received for 500 telescopic box cars from SNCF, The French National Railroad, for delivery in 1973. Another record year is anticipated in this product line for 1973.

Modernization is underway at the Marpent Foundry to provide an automatic moulding bay. When completed, in September 1973, it will contribute to a substantial sales increase in large production runs of castings.

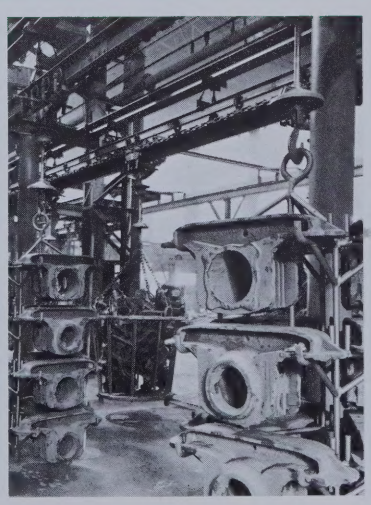
Sales of presses, under license agreement with Galdabini of Italy, increased during the last period of 1972 with excellent prospects for continued gain in 1973.

The ducting operations had a record year, and with an expansion of manufacturing and extension of the product line, future prospects look good in the European market.

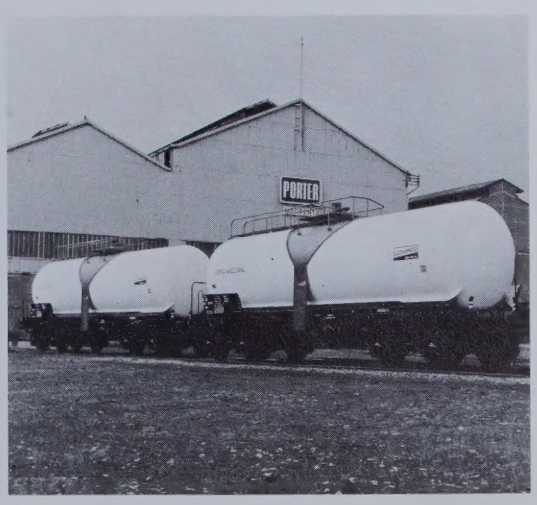
In spite of an industry recession the Hydraulic Division made significant gains in sales of engineered hydraulic assemblies and manual control valves. Initial deliveries



Processing apparatus capable of degassing and dehydrating 150 gallons of transformer insulating oil per hour.



General view of the new shot blast tunnel and casting handling system at Marpent.



Marpent tank cars for transporting sulfuric acid. Porter France will complete an order for 24 cars during 1973.

have been made of the new high torque slow motor used in most heavy duty mobile equipment. Future sales growth is anticipated through export to other Common Market countries.

Netherlands

Industrial and automotive friction products, including brake blocks, brake linings, and clutch facings. Plant: Klazienaveen, Netherlands.

A new laboratory was established during 1972 for the research and development of new materials. Significant penetration was made into the passenger car field for clutch facings. Additional marketing efforts are underway to extend original equipment materials into the automotive parts replacement market. New equipment is being added for another record year of performance.

United Kingdom

Synthetic and natural rubber products including a wide range of hoses, moldings, sheeting, extrusions, gaskets, conveyor belting and ducting for air-conditioning, aircraft, and industrial applications. Friction materials including brake linings, blocks, and clutch facings for automotive and industrial applications. Plants at Newcastle-upon-Tyne, England; and Stirling, Scotland.

The Industrial Rubber Division achieved record sales during 1972 and the forecast looks favorable for continued growth in 1973. A new press was added and plans are underway for further equipment expansion to meet increasing market demands. Sales increased notably in sheeting products, mechanical parts and all lines of hose.

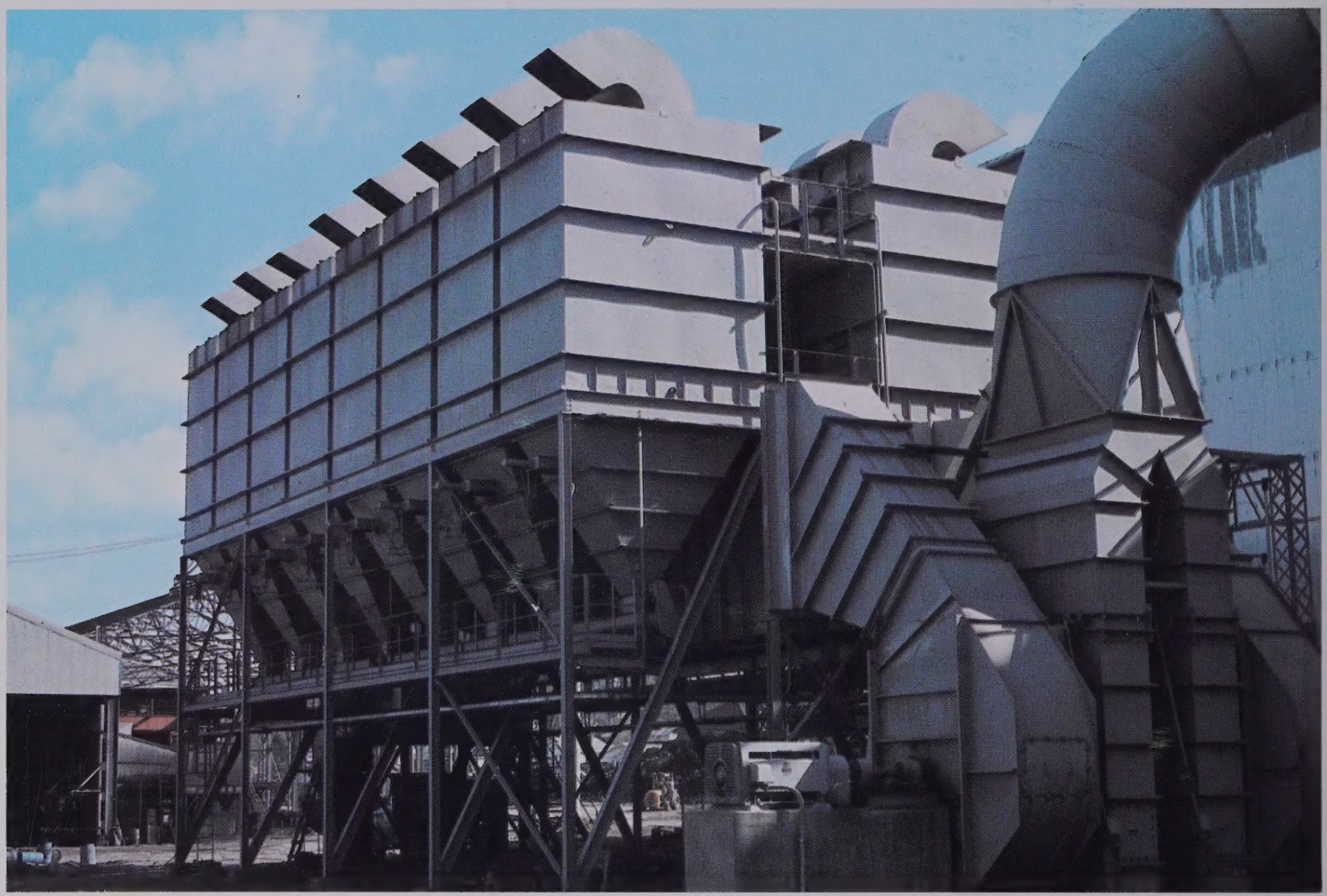
Friction Division sales improved considerably in 1971, and the acceptance and demand for clutch facings in the United Kingdom and Scandinavian markets continue to expand. New facilities have been added for the production of brake lining products which should contribute to friction sales growth.

Grinding outside surface of brake blocks at Klazienaveen plant.

The Rover 3500S high performance saloon car uses Nederland made Thermoid clutch facings as original equipment.

A consignment of sheet packing leaving the Stirling, Scotland factory.

The Industrial Rubber Division maintains rigid testing of all its hose products.



Baghouse type pollution control equipment recently installed at Connors Works is designed to provide maximum pick-up efficiency of particulate matter from the air.

PORTER

H. K. PORTER COMPANY, INC.
PITTSBURGH, PENNSYLVANIA

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